

Industrial Special Indemnity Fund

Third Quarter Report

*September 30, 2006
Calendar Year 2006
Fiscal Year 2007*



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***Industrial Special Indemnity Fund (ISIF) – Third Quarter Report for Calendar Year 2006
pursuant to Idaho Code §72-324.***

Ted Roper, ISIF Manager

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BENEFITS

Annuitant Periodic Benefits

Annuitant benefits are paid to individuals who have been awarded or have negotiated a settlement for periodic monthly benefits. Benefits are paid based on a percentage of the applicable state average weekly wage for year of benefit, the year of the injury and the injured worker's average weekly wage. Most annuitant benefits are also subject to the Carey formula, which apportions total and permanent disability benefits between the ISIF and the employer/surety. Annuitant benefits generally are paid for life.

2006 STATE AVERAGE WEEKLY WAGE

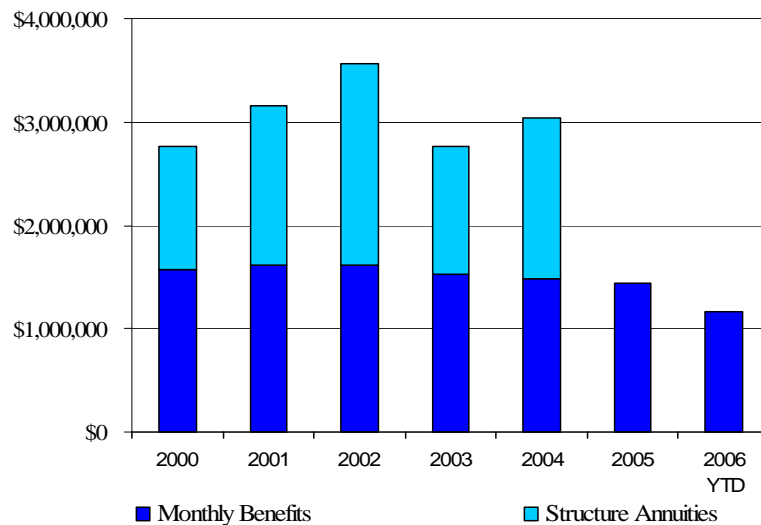
Base of 45% ASW = \$244.35

Base of 60% ASW = \$325.80

Base of 67% ASW = \$363.81

ISIF ended the third quarter of calendar year 2006 with 122 annuitants who received \$131,473.94 in the form of monthly benefits. Annuitant benefits paid in calendar year 2005 was \$1,447,166; year to date benefits paid in 2006 totaled \$1,165,075. *Note:* In prior years ISIF had utilized structure annuities as a means to fund future annuitant monthly benefits.

ISIF ANNUITANT PAYMENTS BY CALENDAR YEAR



An arrearage benefit may be owed upon settlement of a claim and prior to the commencement of current monthly benefits. An arrearage is most likely to occur on judgment loss or consent to entry of judgment claims. Year to date arrearage benefits paid in CY 2006 totalled \$4,839; with \$84,984 in CY 2005.

MONTHLY & ARREARAGE BENEFIT

CALENDAR YEAR

	1st Quarter 2006 *	2nd Quarter 2006	3rd Quarter 2006	2006 YTD	CY 2005 Total
Monthly Annuitant Payments	\$363,336	\$416,572	\$380,329	\$1,160,236	\$1,447,166
Arrearage Benefit	581	4,258	-	\$4,839	111,797
Total Benefit	\$363,917	\$420,830	\$380,329	\$1,165,075	\$1,558,963

* adjustment of \$339

Settlement Benefits

Lump sum and lump sum/statutory benefits are the two types of settlement options. Lump sum benefits are one time only cash payments issued upon settlement of a claim. Lump sum/statutory benefits are settlements in which a lump sum payment may be made upon settlement; however, some form of future periodic benefit will also be paid.

The calendar year 2006 average lump sum benefit paid at the end of the third quarter was \$33,192. The 2005, year to date, average lump sum benefit was \$29,853.

CALENDAR YEAR 2006 LUMP SUM - SETTLEMENTS

	2006 YTD	2005 YTD	CY 2005
Total Claims	26	19	23
Total Lump Sum	\$863,000	\$670,000	\$768,990

CLAIMS ADJUDICATION

Claims adjudication is a two-fold process involving both the filing of a Notice of Intent (Informal) or Workers' Compensation Complaint Against ISIF (Formal) by claimants and/or employer/sureties alleging ISIF liability, and the final determination of those claims by result outcomes (non-merit, settlement or judgment loss).

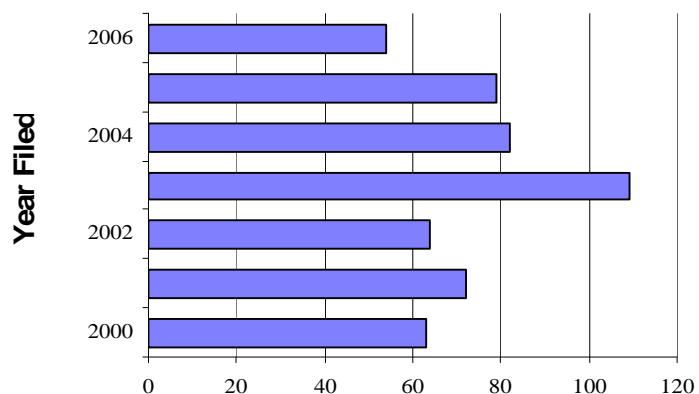
New Claim Filings

New claim filings have stabilized over the past seven years averaging 75 filings per year.

New claims filed year to date CY 2006 is 4% lower than in CY 2005.

In general, these new claims represent potentially greater liability as workers compensation claims become more complex legally and medically, with economic downturns creating more difficult return to work issues.

TOTAL NEW CLAIMS - CALENDAR YEAR



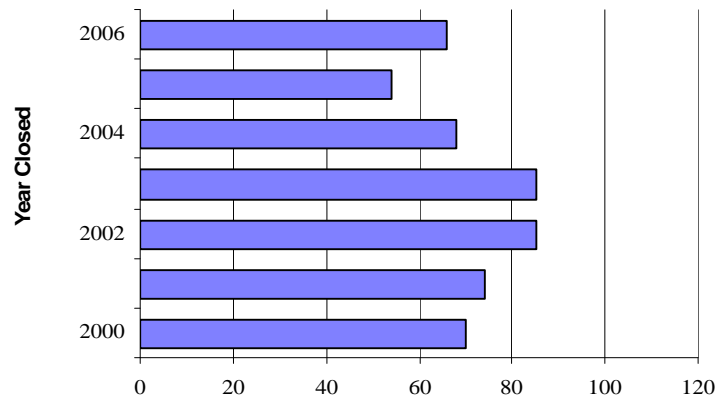
Closed Claims

Year to date, CY 2006, there are 106 open litigated claims and 66 closed claims. In CY 2005, 63 new claims were received and 55 claims were closed resulting in a net of 115 open litigated claims as of December 31, 2005.

Result Outcomes

Year to date, CY 2006, 93% of closed claims were non-merit and settled claims. In CY 2005, non-merit and settled claims accounted for 95% of the total closed claims. These percentages follow very closely the same result percentages of previous years.

TOTAL CLOSED CLAIMS - CALENDAR YEAR



LITIGATION COSTS ASSOCIATED WITH SETTLEMENT & JUDGMENT LOSS CLAIMS

TOTAL LITIGATION COST BY RESULT OUTCOME						
	LUMP SUM		LSS WITH STAT BEN		JUDGMENT LOSS	
	Number Claims	Litigation Cost	Number Claims	Litigation Cost	Number Claims	Litigation Cost
2001	31	193,216	2	5,347	1	11,870
2002	46	66,737	2	8,115	3	43,238
2003	35	106,178	1	984	3	40,499
2004	34	161,926	7	54,065	2	35,928
2005	23	147,735	4	31,200	2	22,440
TOTAL	169	\$675,792	16	\$99,711	11	\$153,975
AVERAGE CLAIM COST BY RESULT		\$3,125		\$4,282		\$11,958
2006 YTD	24	\$224,488	2	\$22,232	0	\$0
AVERAGE CLAIM COST BY RESULT		\$9,354		\$11,116		

LITIGATION COSTS ASSOCIATED WITH NON-MERIT CLAIMS

TOTAL LITIGATION COST BY RESULT OUTCOME						
	DIS W/O		DIS W/P		JUDGE WIN	
	Number Claims	Litigation Cost	Number Claims	Litigation Cost	Number Claims	Litigation Cost
2001	4	28,206	1	7,313	9	161,758
2002	6	61,369	1	13,768	6	135,022
2003	2	2,643	1	259	2	38,194
2004	4	12,190	3	23,729	4	71,204
	7	34,894	0	0	5	44,500
TOTAL	23	\$139,302	6	\$45,069	26	\$450,678
AVERAGE CLAIM COST BY RESULT		\$4,539		\$7,512		\$15,622
2006 YTD	4	\$11,800	2	\$5,785	6	\$120,620
AVERAGE CLAIM COST BY RESULT		\$2,950		\$2,892		\$20,103

Result Outcomes Definitions:

Non-Merit Claims

- Dismissal without Prejudice – Dismissal by the Industrial Commission but allows the claimant to sue again on the same cause of action.
- Dismissal with Prejudice – Final disposition of a claim by the Industrial Commission barring the right to bring another claim on the same cause.
- Judgment Win – Final decision by the Industrial Commission on a fully litigated claim determining no liability to the ISIF.
- Denied – An in-house denial of ISIF liability.

Settled Claims

- LSS – Lump Sum settlement agreement.
- LSS/Stat Bens – Lump Sum settlement that includes monthly benefits to be paid in the future.

Judgment Loss

- Judgment Loss – Final decision by the Industrial Commission on a fully litigated claim determining ISIF to have liability.

Appeal Affirmed

- Appeal from the Industrial Commission decision affirmed by the State Supreme Court

Appeal Reversed

- Appeal from the Industrial Commission decision reserved by the State Supreme Court

Litigation Cost

Litigation costs are expended to numerous sub-object codes as bills are paid during a claim's adjudicated life. Once the adjudication process is completed, a report is submitted to the Industrial Commission reporting all litigation costs incurred during the life of the claim.

LITIGATION EXPENDITURES QUARTER & CALENDAR YEAR					
	1st Quarter 2006	2nd Quarter 2006	3rd Quarter 2006	2006 YTD	2005 YTD
7090-01 Attorney Fees	\$130,390	\$157,983	\$151,176	\$439,549	\$292,671
7090-02 Costs & Expenses	3,692	3,789	5,546	13,027	10,314
7090-03 Medical/Vocational Reprt	6,583	5,279	791	12,653	418
7090-04 Deposition Costs	6,727	5,673	7,160	19,560	15,527
7090-05 Investigations	-	1,500	4,282	5,782	256
7090-06 Research or Briefs	-	-	-	-	-
7090-07 Appeal Attorney Fees	-	0	-	-	1,281
7090-08 Appeal Costs & Expenses	-	0	-	-	40
7090-12 Medical Expenses (IME)	-	650	400	1,050	13,187
7090-13 Rehabilitation	2,969	13,844	7,649	24,462	15,386
7090-14 Adjuster Expenses	86	0	1,356	1,442	4,047
7090-15 Refund	-	-	-	-	-
Total Litigation Expenditures	\$150,447	\$188,718	\$178,360	\$517,526	\$353,128

ADMINISTRATIVE OPERATIONS

Revenue

The ISIF was dependent on a levy system for revenue funding prior to July 1, 1997. The levy was a percent of certain paid benefits assessed to insurance companies and self-insured employers on individual claims at the time of claim closure.

Over time the levy was inadequate to provide the sustained revenue needs of the ISIF.

Without a change in revenue funding, the ISIF would have been unable to satisfy its obligations in early 1998.

The current revenue system creates a method of funding that is certain.

ASSESSMENT FORMULA BASED ON FISCAL YEAR			
Fiscal Year	2004	2005	2006
Total Expenditures	\$4,720,163	\$3,292,704	3,293,014.40
Cash Available			
As of 6/30	5,227,340	6,795,081	6,066,395.77
Assessment	\$4,212,987	-\$209,673	\$519,633

ASSESSMENT TIME LINE				
Assessment Date	Total Assessment	Indemnity Period	Due Date	Payment Amount
June 30, 2004	\$4,212,987	7-1-04-->12-31-04	Apr-05	\$2,106,494
		1-1-05--> 6-30-05	Sep-05	\$2,106,494
June 30, 2005	-\$209,673	7-1-05-->12-31-05	Apr-06	-\$104,837
		1-1-06-> 6-30-06	Sep-06	-\$104,837
June 30, 2006	\$519,633	7-1-06-->12-31-06	Apr-07	\$259,817
		1-1-07--> 6-30-07	Sep-07	\$259,817

Expenditure

The Industrial Special Indemnity Fund's administrative operating expenditures include salaries for three full time employees and general office expense. Benefit expense reflects all benefits paid in lump sum, arrearage or monthly annuitant payments. Total litigation costs; include all costs associated with claims adjudication such as attorney fees and costs, depositions, vocational rehabilitation and investigation. Benefit expense for CY 2006, year to date, were approximately 12% higher than in CY 2005, year to date.

REVENUE - EXPENDITURE REPORT

CALENDAR YEAR 2006

Revenue	1st Quarter	2nd Quarter	3rd Quarter	2006 YTD	2005 YTD
Beginning Cash Available	\$ 7,654,293	6,760,981	6,066,396	\$ 7,654,293	\$ 6,108,867
Assess/Interest Actual	81,815	140,614	80,832	303,261	2,293,713
Misc Rev/Refunds	3,097	927	4,142	8,166	9,298
Total Cash Available	7,739,205	6,902,522	6,151,370	7,965,720	8,411,877
Expenditure					
Administrative	56,862	65,577	76,541	198,980	126,078
Benefits	770,916	581,830	615,329	1,968,075	1,275,850
Litigation	150,446	188,718	178,360	517,524	215,627
Levy Refund				-	-
Total Expenditures	978,224	836,124	870,231	2,684,580	1,617,555
ISIF Annuitant			(1,402)	(1,402)	759
Calendar Year 2006					
Ending Cash Balance	6,760,981	6,066,396	5,279,738	5,279,738	6,795,081

REVENUE - EXPENDITURE REPORT

FISCAL YEAR 2007

Revenue	1st Quarter	2007 YTD	2006 YTD
Beginning Cash Available	\$6,066,396	\$6,066,396	\$6,795,080
Levy/Interest	-	-	-
Assessment/Interest	84,975	84,975	646,092
Total Cash Available	\$6,151,371	\$6,151,371	\$7,441,172
Expenditure			
Administrative	\$76,541	76,541	\$81,083
Benefits	615,329	615,329	552,087
Litigation	178,360	178,360	137,501
Levy Refund	-	-	-
Total Expenditures	\$870,231	\$870,230	\$770,671
ISIF Annuitant	1,402	1,402	759
Fiscal Year 2007			
Ending Cash Balance	\$5,279,738	\$5,279,739	\$6,669,745